WEEKLY LABOUR BULLETIN

Commercial Farmers Union Bulletin #23
Part 5



24th November 2026

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PAYE ON FARMS

PART 5: PAYE AND OTHER PAYROLL DEDUCTIONS – WHICH DEDUCTIONS REDUCE PAYE?

INTRODUCTION

Parts 1–4 explained what counts as remuneration and how allowances, accommodation and benefits in kind are treated. This week we deal with payroll deductions. A farmer may have several deductions on an employee's payslip: NSSA, pension, NEC or union deductions, loan repayments, medical aid, and other deductions.

But not every deduction from an employee's salary reduces the amount on which PAYE is calculated.

WHAT DOES THE LAW SAY?

The starting point is the Thirteenth Schedule to the Income Tax Act [Chapter 23:06]. Paragraph 1(1) of the Thirteenth Schedule defines ***"remuneration liable to employees' tax"*** as remuneration remaining after the deduction of ***"ordinary contributions"*** as defined in paragraph 1 of the Sixth Schedule, excluding contributions to a benefit fund.

In simple terms, the law does not allow the farmer to subtract every deduction appearing on the payslip before calculating PAYE. Only deductions recognised by the tax law can reduce remuneration liable to PAYE. This is why it is important to distinguish between a tax deduction and an ordinary payroll deduction.

A tax deduction is an amount that the Income Tax Act allows the employer to deduct before calculating PAYE.

An ordinary payroll deduction reduces the employee's take-home pay but does not reduce taxable income simply because it appears on the payslip.

A tax Credit is an amount that does not reduce taxable income, but the law allows a credit against the tax calculated. It reduces tax payable, not taxable income.

NSSA CONTRIBUTIONS – TAX DEDUCTION

The employee's NSSA contribution is deducted from the employee's salary and is taken into account in determining taxable income. This is recognised as an allowable deduction under section 15(2)(h) of the Income Tax Act, which provides for deductions relating to contributions to benefit and pension funds and the Consolidated Revenue Fund, as determined under the Sixth Schedule.

The employee's contribution therefore reduces the amount on which PAYE is calculated, subject to the applicable statutory limits. The employer's NSSA contribution is different. It is paid by the employer and is not an amount deducted from the employee's remuneration.

For the farmer: use the current NSSA contribution rate and applicable insurable earnings ceiling when processing payroll. These figures can change and should be checked against the current NSSA requirements.

PENSION CONTRIBUTIONS - TAX DEDUCTION

Section 15(2)(h) also provides for deductions in respect of qualifying contributions to pension funds. The detailed rules and limits are contained in the Sixth Schedule. The employee's qualifying pension contribution can therefore reduce the amount on which PAYE is calculated. The important point is that the contribution must qualify under the Income Tax Act and the Sixth Schedule. The fact that an amount is called a ***"pension deduction"*** on a payslip does not, by itself, determine its tax treatment.

UNION SUBSCRIPTIONS AND NEC LEVIES - PAYE TREATMENT

UNION SUBSCRIPTIONS – TAX DEDUCTION

A qualifying union subscription may be deducted when calculating an employee's taxable income under section 15(2)(s) of the Income Tax Act, where it meets the requirements of that provision. This means that the qualifying subscription reduces the income on which PAYE is calculated.

NEC LEVIES – ORDINARY PAYROLL DEDUCTION

An NEC levy is a compulsory deduction arising from an employee's employment in an industry covered by the relevant NEC. It is deducted from the employee's wages and remitted to the NEC in accordance with the applicable NEC arrangement. An NEC levy is not an allowable tax deduction for PAYE purposes. It therefore does not reduce the employee's taxable income or the amount on which PAYE is calculated. It reduces the employee's take-home pay only.

LOAN REPAYMENTS AND SALARY ADVANCES – ORDINARY PAYROLL DEDUCTION

Repaying a loan is different from making a tax deduction. For example, if an employee earns US$600 and the farmer deducts US$50 to recover an employer loan, the employee receives US$50 less in take-home pay. However, the US$50 loan repayment does not automatically reduce the employee's taxable income. This is because the employee is repaying money already advanced; it is not, by itself, an allowable deduction under the PAYE rules.

Do not subtract employer-loan repayments from remuneration before calculating PAYE.

MEDICAL AID AND MEDICAL EXPENSES - TAX CREDIT/RELIEF

Medical aid needs to be treated differently again. A medical aid contribution or qualifying medical expense may give rise to a tax credit, rather than simply being deducted from remuneration before PAYE is calculated. ZIMRA identifies medical expenses and certain medical-related amounts as tax credits in its PAYE guidance.

This means that a tax deduction reduces taxable income. A tax credit reduces the tax calculated. The two should not be confused. The actual treatment and calculation of medical credits will be dealt with when we look at the PAYE calculation in Part 6.

WHAT ABOUT OTHER DEDUCTIONS?

Other amounts may lawfully be deducted from an employee's wages but do not necessarily reduce PAYE. Examples include:

- employer loan repayments;
- salary advances being recovered;
- authorised purchases or other recoveries;
- voluntary savings;
- welfare or funeral deductions; and
- other deductions authorised by the employment contract, collective agreement or law.

The fact that an amount appears under “Deductions” on the payslip does not mean that it is an allowable tax deduction. A simple way for the farmer to understand this

Think of the payslip as having two separate stages:

Stage 1 – Calculate PAYE
Remuneration less allowable tax deductions = amount on which PAYE is calculated.

Stage 2 – Calculate take-home pay
Remuneration less PAYE and other authorised payroll deductions = net pay.

A deduction can therefore reduce the employee's take-home pay without reducing PAYE. Simple example, an employee has remuneration of US$800 for the month.

The payslip contains:

- NSSA: US$31.50
- qualifying pension contribution: US$40
- employer loan repayment: US$50
- NEC/union deduction: US$10

The farmer should not simply subtract all US$131.50 before calculating PAYE. The amounts that qualify as tax deductions are dealt with under the relevant provisions of the Income Tax Act. The loan repayment, for example, does not become an allowable deduction merely because it appears on the payslip. The resulting taxable income is then subjected to the applicable PAYE tax table. Part 6 will show the actual calculation from remuneration to PAYE, AIDS Levy and final net pay.

WHAT SHOULD THE FARMER DO?

Before processing payroll, separate deductions into three groups:

1. Deductions that reduce taxable income. For example, qualifying pension/ NSSA contributions and other deductions specifically allowed by the Income Tax Act.
2. Tax credits. For example, qualifying medical-related credits.
3. Ordinary payroll deductions. For example, loan repayments and other authorised recoveries that reduce the employee's take-home pay but do not automatically reduce PAYE.

This simple separation will prevent many payroll errors.

COMMON PAYROLL MISTAKES

- Subtracting every payslip deduction before calculating PAYE.
- Treating an employer loan repayment as a tax deduction.

- Assuming that every pension-related deduction is automatically deductible.
- Confusing a tax deduction with a tax credit.
- Treating the employer's NSSA contribution as an employee deduction.
- Assuming that an amount is tax-deductible simply because it is authorised to be deducted from the employee's salary.

THE FARMER'S CHECKLIST

Before calculating PAYE, ask:

1. What is the employee's total remuneration?
2. Which amounts are exempt?
3. Which deductions are specifically allowed by the Income Tax Act?
4. Are there any tax credits to be applied?
5. Which deductions are only reducing the employee's take-home pay?

Only after these questions have been answered should the farmer apply the PAYE tax table.

CONCLUSION

The most important lesson is simple. Not every deduction from an employee's salary is a deduction for PAYE purposes. The Income Tax Act determines which amounts reduce taxable income, which amounts give rise to tax credits, and which amounts merely reduce the employee's net pay.

Coming Next – Part 6: Calculating and Paying PAYE *– including the PAYE tax tables, tax credits, AIDS Levy, employees who join or leave during the year, irregular payments and the amount that must be remitted to ZIMRA.*

Disclaimer: This article is provided for general informational and educational purposes only. It does not constitute formal legal, financial, or tax advice. While every effort has been made to ensure the accuracy of this information based on the Income Tax Act [Chapter 23:06] and ZIMRA guidelines as of September 2026, tax laws, statutory limits, and NSSA ceilings are subject to frequent change. Readers must not rely on this document as a substitute for professional advice tailored to their specific circumstances. The Commercial Farmers' Union (CFU) and the authors accept no liability for any losses, penalties, or damages arising from actions taken or omitted based on the contents of this report. Always consult ZIMRA, a certified tax advisor, or a registered legal practitioner before finalizing your payroll structures.

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